Tourism British Columbia

Three-Year Service Plan

2004/05 – 2006/07

TABLE OF CONTENTS

Letter from Board Chair to Minister Responsible 3
Accountability Statement 4
Organizational Overview 5
Strategic Context 6
Planning Context and Key Strategic Issues 7
Alignment with Government's Strategic Plan 9
Goals, Objectives, Strategies, Performance Measures, and Targets 10
Summary Financial Outlook 14
Tourism British Columbia Offices 16

LETTER FROM BOARD CHAIR TO MINISTER RESPONSIBLE

To the Minister of Small Business and Economic Development:

On behalf of the Board of Directors of Tourism British Columbia, I am pleased to present the 2004/05 – 2006/07 Service Plan. This plan describes the programs and activities that will be undertaken over the next three years to respond to the opportunities and challenges arising from prevailing tourism market conditions. It is consistent with the Ministry's broad policy direction and general principles, supporting the government's strategic priorities and overall strategic plan. Tourism British Columbia is looking forward to working with government to advance the tourism sector.

Tourism British Columbia has a strong record of success on behalf of the province's tourism industry. This has been earned by focusing upon those markets and sectors that can best build visitation to British Columbia. With a view to further stimulating tourism growth, the 2004/05 – 2006/07 Service Plan continues to build on efforts in established markets. It targets new efficiencies in product and travel information management, technology, marketing and human resource development. These include but are not exclusive to:

- The spring **BC Escapes**[Æ] campaign. Launched in late February 2003, it delivered $51 million of tourism revenue from a $4.3 million budget. With an additional $750,000 in funds provided by the Ministry of Small Business and Economic Development, Tourism British Columbia was able to extend the **BC Escapes**[Æ] program to build upon the momentum started in the spring campaign, and further leverage industry involvement.
- *British Columbia Magazine*. Under Tourism British Columbia's ownership, the magazine continued to see an upturn in circulation and also continued its award-winning ways with seven International Regional Magazine Association (IRMA) awards. It also won the prestigious Northern Lights Award for Magazine Travel Journalism.
- Tourism British Columbia's *Business Essentials Guides*. Four new editions were developed, in addition to two new workshops.
- Industry human resource development. A province-wide Tourism Human Resource Development Plan was completed in April, 2003. It led to the creation of *go2*, an industry-run Human Resource Development Agency that will continue to work with Tourism British Columbia towards recruiting, retaining and training employees for the industry.
- The Vancouver 2010 Bid process. Tourism British Columbia played a key supporting role in the successful bid for the 2010 Olympic and Paralympic Winter Games. The organization ensured that 2010 was a primary message in all appropriate marketing materials and programs.

I would like to thank the Board for their input into the planning process for 2004/05 – 2006/07, and all Tourism British Columbia staff for their commitment to developing and delivering strategic programs and activities that directly support the organization's mandate.

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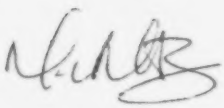
STATEMENT OF ACCOUNTABILITY

The 2004/05 – 2006/07 Tourism British Columbia Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of this plan, including the selection of performance measures and performance targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks as of January 27, 2004 have been considered in preparing the plan.

I am accountable for delivering on the Service Plan and for measuring and reporting actual performance.



Michael Duggan
Chair

ORGANIZATIONAL OVERVIEW

Tourism British Columbia became a Crown corporation in April 1997. The minister responsible is the Minister of Small Business and Economic Development. The Corporation is governed by an industry led board of directors with management, financial and legal authority as ascribed under the *Tourism British Columbia Act*. In March 2002, new board appointments reflected Premier Gordon Campbell's commitment that "all members of the Tourism British Columbia board be nominated by the industry, from the industry." Funding is derived from 1.65 points of the 8% provincial Hotel Room Tax.

Tourism British Columbia Act

Purpose:

- To promote development and growth in this vital sector.
- To increase revenues and employment throughout British Columbia.
- To increase the economic benefits generated by the tourism industry.

Legislated mandate:

- Market British Columbia as a tourism destination.
- Provide information services for tourists.
- Encourage enhancement of standards of tourist accommodation, facilities, services and amenities.
- Enhance professionalism in the tourism industry.
- Encourage and facilitate the creation of jobs in the tourism industry.
- Collect, evaluate and disseminate information on tourism markets, trends, employment, programs and activities, as well as on the availability and suitability of infrastructure and of services that support tourism activities.
- Generate additional funding for tourism programs.

Core Business Functions

Tourism British Columbia is structured as a professional marketing organization. It is consumer-driven, focused on bringing the right products and services to market, both at home and abroad. The Corporation's mandate is achieved through the following business functions:

- The *Advertising and Promotion* Division develops consumer-driven strategies that target key geographic markets to increase demand for British Columbia as a preferred travel destination. These efforts are supported by overseas offices in Australia, Germany, Japan, Taiwan and the United Kingdom.

- The *Visitor Services & Sales* Division strategically continues the consumer purchase cycle by providing information to travellers via Visitor Info Centres, **HelloBC**® .com, the toll-free **Super, Natural British Columbia**® reservation and information service and worldwide distribution of British Columbia travel guides. Also in this Division:
  - *Accommodation Services & Standards*, which encourages the continual enhancement of tourist accommodation, facilities, services and amenities in British Columbia through inspection and rating systems, with approved properties featured in the *British Columbia Approved Accommodation Guide*.
  - *Training Services* builds a professional, well-trained workforce through the world-class **SuperHost**Æ training programs, ensuring consumer loyalty and repeat business.
  - *Research and Economic Analysis* provides research to industry partners for the measurement, evaluation and management of growth in all sectors.
- The *Marketing Development* Division provides useful tools for tourism businesses and communities to help grow their business opportunity. This includes corporate and industry communications, as well as developing new revenue-generating opportunities. The division also includes British Columbia Magazine.

STRATEGIC CONTEXT

Vision: to be a recognized world leader in tourism destination management.
Mission: to ensure quality visitor experiences that grow the success of British Columbia's tourism industry.
Corporate Values:

- Integrity – what we bring as individuals
- Enthusiasm – what we portray
- Teamwork – how we work together
- Progressive – what we strive for

In January, 2003, Tourism British Columbia was named the 12th Best Employer in British Columbia, in an independent survey commissioned by *BC Business Magazine*. A key to this achievement was how these values helped define the culture of Tourism British Columbia.

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PLANNING CONTEXT AND KEY STRATEGIC ISSUES

Tourism British Columbia's funding for marketing and program delivery is derived primarily from the provincial Hotel Room Tax, which may be significantly affected by the prevailing market conditions in any given period of time. These market forces are largely beyond the corporation's influence, so consequently, Tourism British Columbia's planning context regularly incorporates a broad analysis of these events and conditions.

The significant role of tourism in the provincial economy is clearly demonstrated through the creation of jobs and revenue. According to BC Stats, there are now 17,000 tourism-related businesses throughout the province, with more than 114,000 people employed in jobs directly related to tourism.

In the 2003 calendar year, it is estimated that a total of 21.9 million visitors arrived in British Columbia, a decrease of 3.2% over 2002. Corresponding industry revenues for the same period are estimated at $8.9 billion, a 4.2% reduction over 2002.

Overall, British Columbia residents contributed 28.2% of the province's total tourism revenue. California, Washington, Alberta and Ontario form the rest of North America's core markets.

The United States continues to be a vital market for British Columbia tourism, and 2003 estimates for the US overnight market show a decrease in revenues of 6.5% compared to 2002.

Visits from Asia/Pacific are expected to decrease by 20.5% compared to 2002, while European visits are expected to show a slight increase of 0.6% over the same period.

Though tourism in British Columbia continues to be a key contributor to the provincial economy, several challenges have hit the industry hard in recent years. Consumer behaviour has shifted significantly since September 11, 2001, and the ongoing situation in Iraq continues to affect international travel. Some of these changes include shorter-term planning of trips, and overall cautiousness of travellers. A decline in air access has had a particularly negative impact on British Columbia. Tourism British Columbia continues to work cooperatively with airline and industry partners to highlight the advantages of business and leisure travel opportunities throughout the province.

Most recently, travel to and within British Columbia was affected by two significant, high-profile issues. The first was the devastating impacts of Severe Acute Respiratory Syndrome (SARS), which led to tourism losses across the country, despite the fact the primary health issue was largely confined to Toronto. Asia/Pacific

markets were most impacted by the SARS outbreak, and they may take some time to return to normal visitation levels. Second were the forest fires that occurred in parts of British Columbia in the summer of 2003. The proximity of fires to key urban centres and tourism destinations brought international media attention, which helped decrease travel in those areas. In addition, because of a temporary province-wide ban on activities within provincial parks, there were further unavoidable impacts to tourism. Tourism British Columbia continues to work with the Ministry of Small Business and Economic Development and industry partners to generate promotional activities geared towards offsetting the effects of SARS and the forest fires.

In 2003, the Canadian dollar made significant gains against the American dollar, which may have some influence over consumer travel decisions. Historically, the cost of travelling within Canada has been one of several decision-making factors for Americans. Conversely, with the gap narrowed between currencies, some British Columbians may choose vacations in the United States they have been putting off due to a prohibitive exchange rate. Tourism British Columbia will monitor the impacts and provide appropriate data for industry stakeholders.

While there were many challenges, the announcement on July 2, 2003, that Vancouver would host the 2010 Olympic and Paralympic Winter Games will be the most important development for tourism throughout British Columbia. Tourism British Columbia is ensuring that 2010-related opportunities are realized as the organization works towards maximizing the benefits before, during, and after the Games. Significant effort will be made to include 2010 information in travel media activities as well as overseas marketing materials.

Tourism British Columbia will be utilizing technological improvements to respond to increased use of the Internet by travellers. A key undertaking will be incorporating technology that connects British Columbia tourism products and services efficiently with consumers.

ALIGNMENT TO GOVERNMENT'S STRATEGIC PLAN

The Tourism British Columbia Board of Directors and staff, in partnership with the British Columbia tourism industry, develop and deliver programs and activities that support government's commitment to "stimulate tourism with a plan to improve operators' ability to successfully compete for visitors from around the world", which was identified within the government's strategic plan.

Recognizing the provincial government's role in developing policies that support a competitive business climate including the Ministry of Small Business and Economic Development's lead role in intergovernmental affairs and tourism infrastructure development, Tourism British Columbia will continue to undertake initiatives that relate to those priorities that fall within the legislated mandate of the organization. Among the highlights are:

- A new online marketing initiative will undertake development and implementation of technology-based solutions to give the consumer easy and immediate access to tourism product information.
- Tourism British Columbia is assisting several emerging sectors which will lead to the development of stronger export-ready tourism product.

To fulfill the goal of increasing British Columbia's share of the world tourism market, a three-year plan has been developed, guided by a number of priorities as identified by Tourism British Columbia:

- Achieve excellence in marketing by building on the equity of the world-recognized **Super, Natural British Columbia**® brand.
- Explore and develop emerging markets.
- Maximize efficiency and effectiveness of operations.
- Maximize use of technology to better enable business activities.
- Demonstrate value for money in program activities.
- Cultivate a "values-based" corporate culture.

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GOALS, OBJECTIVES, STRATEGIES, PERFORMANCE MEASURES AND TARGETS

The ***Advertising and Promotion*** Division develops consumer and trade marketing strategies and programs based on consumer needs in key geographic markets to increase demand for British Columbia. All activities are integrated and strategically targeted to help move the consumer through the purchase cycle from awareness, interest, knowledge, purchase and then on to ongoing repeat purchase. All of Tourism British Columbia's advertising and promotion activities strive to bring tourism industry and other partners together to build critical mass necessary to create impact in the market and favourably influence consumer purchase behaviour.

Goal: Tourism British Columbia Act, Section 4 (1) a:
"Marketing British Columbia as a tourism destination"

Key Activity	Objectives / Strategies	Performance Measures	Performance Targets			
			Baseline	2004/05	2005/06	2006/07
Consumer Advertising	Generate getaway business to British Columbia in spring and summer through the **BC Escapes**® program by offering specially priced packages to high-potential markets.	Tourism revenues generated ($ million)	$50	$45	$50	$53
		Return on investment	12.5	12.5	12.5	13.0
Cooperative Marketing	Support regional and sector-focused marketing activities such as advertising, publications, consumer and trade shows, as well as provide cooperative marketing opportunities to businesses through the **Tourism Partners Program**.	Number of businesses participating in program	1,050	1,000	1,040	1,050
		Number of regional and sectoral travel guides distributed	900,000	800,000	900,000	950,000
Trade Sales	Increase British Columbia's position with the **travel trade** through educational programs, cooperative marketing campaigns, familiarization tours and sales calls	British Columbia's share of Canadian tours in key tour-operator brochures:				
		North America	40%	40%	40%	40%
		Europe	40%	40%	40%	40%
		Asia	60%	60%	60%	60%
Media Relations	Continue to build awareness of British Columbia's tourism product with key media	Equivalent dollar value of unpaid editorial coverage worldwide	$65 million	$60 million	$65 million	$70 million

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The ***Visitor Servicing and Sales*** Division strives to build customer loyalty within all regions of British Columbia. Working directly with visitors and industry, this division comprises the following functions:

- ***Travel Information and Sales*** provides information and reservation capability to travellers via Visitor Info Centres, **HelloBC**® .com, the toll-free **Super, Natural British Columbia**® reservation and information service and worldwide distribution of British Columbia travel guides.
- ***Accommodation Services & Standards*** encourages the continual enhancement of visitor accommodation, facilities, services and amenities in British Columbia through inspection and rating systems, with approved properties featured in the *British Columbia Approved Accommodation Guide*.
- ***Training Services*** builds a professional, well-trained workforce through the world-class **SuperHost**® training programs, ensuring consumer loyalty and repeat business.
- ***Research and Economic Analysis*** provides research to industry partners for the measurement, evaluation and management of growth in all sectors.

Goal: Tourism British Columbia Act, Section 4 (1) b: "Providing information services for tourists"

Key Activity	Objectives / Strategies	Performance Measures	Performance Targets			
			Baseline	2004/05	2005/06	2006/07
BC travel information and reservations	Provide personal contact, information and secure booking with potential visitors through the **call centre** and **HelloBC**®.com website	Reservations ($ millions)	$10.65	$10.00	$10.70	$11.30
		Conversion of enquiries to transactions	20%	20%	21%	22%
		Unique visitors to website	500,000	650,000	700,000	750,000
Face to Face Visitor Information	Through **Visitor Info Centres,** provide visitors that are in the province, the information and tools to purchase BC product	Number of provincial Visitor Info Centres funded	120	110	120	120
		Number of visitors served (millions)	3.20	3.10	3.25	3.35
Travel Publications	Provide the consumer publications such as the ***Approved Accommodation Guide, Vacation Planner*** and ***Outdoor Adventure Guide*** which have information to plan and book vacations.	Number of travel publications distributed	950,000	900,000	950,000	1,000,000

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Goal: Tourism British Columbia Act, Section 4 (1) c:
"Encouraging the enhancement of standards of tourist accommodation, facilities, services and amenities"

Key Activity	Objectives / Strategies	Measures	Performance Targets			
			Baseline	2004/05	2005/06	2006/07
Accommodation Quality Standards	Deliver **accommodation inspection** programs to over 3,000 properties to ensure acceptable standards are maintained	# of properties inspected	1,2000	1,200	1,300	1,400

Goal: Tourism British Columbia Act, Section 4 (1) d:
"Enhancing professionalism in the tourism industry"

Key Activity	Objectives / Strategies	Measures	Performance Targets			
			Baseline	2004/05	2005/06	2006/07
Tourism industry training	Work with sponsoring organizations to increase participation in all of the **SuperHost**® product family	Number of participants trained	20,000	20,000	20,500	21,000
		Gross Revenue	$280,000	$280,000	$288,000	$295,000
Human Resource Development	Support the *go2* tourism human resources agency in their recruitment and retention programs for the tourism industry	Establish HR web portal and online resource centre		June 1, 2004		
		Develop and implement multi-year career awareness program		Sept 1, 2004		

Goal: Tourism British Columbia Act, Section 4 (1) f:
"Collecting, evaluating, and disseminating information on tourism markets, trends, employment, programs and activities and on availability and suitability of infrastructure and or services that support tourism activities"

Key Activity	Objectives / Strategies	Measures	Performance Targets			
			Baseline	2004/05	2005/06	2006/07
Research Publications	Produce and distribute a portfolio of **research information** in print and on the corporate website to the tourism industry, including an annual *Tourism Outlook*, the *Value of Tourism*, as well as market/regional and sector profiles	# of users of research (website visits per month)	1,600	1,800	1,890	1,985
Stakeholder survey	Conduct survey of Tourism British Columbia stakeholders to evaluate effectiveness of programs	Corporate Stakeholder survey	3.5 out of 5 (3 is satisfied)	3.5	3.6	3.7

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The ***Marketing Development*** Division is responsible for revenue generation, job creation, and balanced growth in the tourism industry. More specifically, the division focuses on:

- joint-venture programs that enhance resources for Tourism British Columbia's programs and activities,
- supporting the development of the cultural tourism sector, and
- offering expertise and support through program information, tourism education resources and community strategic planning.

The division is also responsible for the publishing of *British Columbia Magazine* and corporate communications.

Goal: Tourism British Columbia Act, Section 4 (1), 'e' and 'g':
"Encouraging and facilitating the creation of jobs in the tourism industry"
"Generate additional funding for tourism programs"

Key Activity	Objectives / Strategies	Measures	Performance Targets			
			Baseline	2004/05	2005/06	2006/07
British Columbia Magazine	Continue to revitalize ***British Columbia Magazine*** as a key British Columbia tourism marketing tool	Circulation	130,000	133,000	135,000	138,000
		Gross Sales ($ millions)	$2.48	$2.77	$2.91	$2.97
Leverage Marketing Funds	Leverage marketing funds by partnering with the CTC, DMOs and other tourism businesses to increase market exposure	Industry marketing funds leveraged ($ millions)	$35	$32	$35	$37

Corporate Effectiveness

Key Activity	Objectives / Strategies	Measures	Performance Targets			
			Benchmark Canadian Tourism Commission 2003	2004/05	2005/06	2006/07
Administration costs	To keep administration costs (Corporate Services, HR, IT and Governance) below those of comparable organizations	Cost of administration per employee	$66,500	$30,000	$29,000	$28,000
		Office space cost per employee	$20,195	$9,800	$9,800	$9,800
Human Resources	Continue to instill a values-based and productive corporate culture	Employee absence rate	4.3 days	< 5 days	< 5 days	< 5 days
		Employee turnover rate	10%	< 5%	< 5%	< 5%

SUMMARY FINANCIAL OUTLOOK

Tourism British Columbia's revenue is directly tied to the performance of the provincial accommodation sector. Through a legislated funding formula, the corporation receives 1.65 points of the 8% British Columbia Hotel Room Tax.

Despite the Corporation's response to a decline in hotel tax receipts by reducing its budget by $1.9 million in 2003/04, budgeted expenses are forecast to exceed total revenues by $3.5 million, or $2.7 million higher than forecast in last year's Service Plan. The additional expense is made up of funds carried over from the 2002/03 budget surplus for programs budgeted in 2002/03, but implemented in 2003/04.

Tourism British Columbia's policy has been to draw down its accumulated surplus at an orderly rate, allowing for a consistent level of marketing activity, while hotel tax revenue growth "catches up" to expenditure levels. Effective for 2004/05, Tourism British Columbia will balance its budget to meet government's goal of a balanced budget.

	2003/04 Latest Estimate	2004/05 Budget	2005/06 Forecast	2006/07 Forecast
Revenue				
Hotel room tax (note 1)	$ 23,400	$ 24,500	$ 25,700	$ 26,900
Tax revenue allowance (note 2)	130	206	0	0
Provincial government contribution	750	0	0	0
Program sales	7,059	7,837	8,205	8,546
Investment income	180	95	80	80
	31,519	**32,638**	**33,985**	**35,526**
Marketing activities				
Advertising and Promotion (note 3)	15,732	14,507	14,911	15,834
Visitor Servicing and Sales (note 4)	11,964	11,100	11,433	11,776
Marketing Development (note 5)	3,561	3,700	3,774	3,887
Amortization, marketing technology	425	1,025	1,515	1,630
	31,682	30,332	31,633	33,127
Administration and governance	3,292	2,306	2,352	2,399
	34,974	**32,638**	**33,985**	**35,526**
Net operating income (loss)	**(3,455)**	**0**	**0**	**0**
Add accumulated surplus	7,663	4,208	4,208	4,208
Closing accumulated surplus	$ 4,208	$ 4,208	$ 4,208	$ 4,208
Capital - marketing technology	$ 2,010	$ 3,279	$ 365	$ 419
FTEs	108	108	111	111

Note 1 Hotel tax figures supplied by the Ministry of Finance, and are based on provincial nominal GDP forecasted growth.

Note 2 Tourism British Columbia forecasts hotel tax on more specific tourism related indicators. Consequently, the allowance relates to the difference between Ministry of Finance and Tourism British Columbia forecasts.

Note 3 Formerly known as *"Marketing and Sales"*

Note 4 Formerly known as *"Tourism Operations"*

Note 5 Formerly known as *"Business Development"*

Key Assumptions and Risks

- Each 1% difference in actual hotel tax receipts versus forecast equates to an approximately $240,000 annual impact on Tourism British Columbia's budget. In 2003/04, Tourism British Columbia's hotel tax forecast went from +4.0% to -4.0%, resulting in a $1.9 million decrease in revenues. Consequently, budget cuts of $1.9 million were made.
- Forecast hotel tax assumes a 5% increase for 2004/05, 4% in 2005/06 and 3% in 2006/07.

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